

Governor Jennifer M. Granholm
Friday, June 1 2007

Hi, this is Governor Jennifer Granholm.

Last week, we in Lansing made some progress on solving our state's budget crisis.

All told, we faced an \$800 million shortfall over the next four months. We made hundreds of millions of dollars of cuts, and pushed some bills and payments to next year and later.

It's not the answer everyone was looking for. It's not a complete solution. But it is progress, a step in the right direction, and it allows us to protect health care and our kids' education from very deep, painful cuts.

In reality, this leaves the toughest decisions for the next budget, which begins in a few months. Still, this step forward is a result of bipartisan cooperation which will be key to any complete solution to this budgetary and economic challenge that Michigan is facing.

We need to move forward with the kind of comprehensive approach I proposed months ago. It has to be a four part solution.

First, spending cuts. We've made hundreds of millions of dollars of new cuts this year.

Second, government reforms, including closing loop holes, finding savings in public employee benefits, reducing our prison costs, consolidating local government services, consolidating educational services at the local level.

Third, a new, highly competitive business tax structure to replace the outdated Single Business Tax.

And the fourth part of our solution is new revenues, so that we can continue to make the investments that are most critical to our economic future.

The problem we are confronting is that Michigan's economy is evolving – we need to grow other sectors in addition to manufacturing in order to diversify our economy.

We have to transform into a 21st century economy, and prepare our people to work in health care, research and development, alternative energy, and advanced manufacturing. And that means investing in education, investing in our people, investing in diversifying our economy.

With this latest budget negotiation, we found that to adopt more deep cuts would be devastating to Michigan's future. But we are facing a \$1.8 billion shortfall starting in October. We've exhausted all the one-time solutions in our arsenal. Wall Street is losing confidence in us as we continue to rely on gimmicks. And, I've already cut more than \$3 billion from state government, more than any governor in Michigan's history.

To solve this budget crisis we need a sensible combination of cuts, reforms, and new revenues.

I'm encouraged that we have made some progress – we've protected public education in this 2007 fiscal year. Now we need to make the hard choices that will secure Michigan's economic future.

Thank you for listening.